WHITEHORSE COPPER MINES LTD.

Annual Report, 1975

Annual General Meeting
Nova Scotia Room
Royal York Hotel
Toronto, Ontario
Tuesday, May 11, 1976
2:00 p.m.

WHITEHORSE COPPER MINES LTD. — STATEMENT OF CHANGES IN FINANCIAL POSITION

	Six Months Ended June 30 1975	Six Months Ended June 30 1974
FUNDS WERE PROVIDED BY:		
Operations	$691,000	$3,478,000
Loan repayment	125,000	33,000
	816,000	3,511,000
FUNDS WERE USED FOR:		
Investment in joint venture	328,000	—
Reduction of long-term debt	2,000	3,483,000
	330,000	3,483,000
INCREASE IN WORKING CAPITAL	486,000	28,000
WORKING CAPITAL — Beginning of period	458,000	28,000
WORKING CAPITAL — End of period	$944,000	$ 56,000

(Prepared without audit)

Ith

WHITEHORSE COPPER MINES LTD.

2 Report to the Shareholders
Quarter and Half Year ended
June 30, 1975

Head Office
Suite 1695, Two Bentall Centre
555 Burrard Street
Vancouver, B.C. V7X 1G6

Mine Office
Post Office Box 4280
Whitehorse, Y.T.
Y1A 3T3

TO THE SHAREHOLDERS:

Earnings —

For the second quarter of 1975, the Company had a loss of $60,000, equal to 2¢ per share, compared with a profit of $1,197,000, or 35¢ per share for the same period of 1974. Loss for the first six months of this year is $243,000, or 7¢ per share. Copper prices remained weak and were substantially lower than for the same periods of 1974.

Many observers believe that copper prices have now settled at or near their bottom. At current levels, the joint venture continues to show an operating profit, which provides a positive cash flow back to the Company.

Joint Venture Operations —

The underground crusher, which became operational during the quarter, appears to have alleviated problems in handling large muck, and resulted in a significant improvement in tons of ore milled. Copper production for the quarter was satisfactory, but for the year to date it is lower than for the first six months of 1974 because of the lower grade of ore milled.

Long-Term Debt —

A payment of $100,000 on the principal of the Series "B" Income Bonds was made on July 31, 1975, leaving an outstanding balance of $2,500,000.

ON BEHALF OF THE BOARD

J. David Taylor, President

August 1, 1975 J.S. Warick, Vice President

JOINT VENTURE — OPERATING STATISTICS

	Three Months Ended June 30, 1975	Six Months Ended June 30 1975	Six Months Ended June 30 1974
Tons of ore milled	177,000	320,000	309,000
Ore grade — % copper	1.68	1.58	2.01
Recovery of copper — %	90	91	89
Tons of concentrate produced	7,214	12,703	14,931
Concentrate grade — % copper	37	36	37
Pounds of copper produced	5,354,000	9,214,000	11,088,000
ESTIMATED VALUE OF PRODUCTION, including gold and silver, less treatment and marketing charges	$2,783,000	$5,342,000	$9,513,000
Operating costs and administration	2,028,000	4,101,000	3,414,000
OPERATING PROFIT	$ 755,000	$1,241,000	$6,099,000

The company has a two-thirds interest in the joint venture.

WHITEHORSE COPPER MINES LTD. — INTERIM STATEMENT OF EARNINGS

	Three Months Ended June 30, 1975	Six Months Ended June 30 1975	Six Months Ended June 30 1974
Company's share of operating profit from joint venture	$ 504,000	$ 828,000	$4,066,000
Deduct:			
Administration	18,000	34,000	31,000
Exploration	4,000	4,000	24,000
Interest — net	45,000	96,000	334,000
Provision for Yukon Royalty	—	2,000	199,000
Depreciation and amortization	497,000	935,000	1,015,000
	564,000	1,071,000	1,603,000
NET EARNINGS (LOSS) FOR THE PERIOD	$ (60,000)	$ (243,000)	$2,463,000
Shares outstanding	3,384,002	3,384,002	3,383,202
Net earnings (loss) per share	(2¢)	(7¢)	73¢

(Prepared without audit)

Directors S. Belzberg
J. Bruk*
H. R. Fraser*
J. B. Howkins
A. R. Lueck
W. A. Morrice*
J. R. G. Sadler
J. S. Warick*
*Members of the Executive Committee

Officers Joseph S. Warick, President and Chief Executive Officer
William J. Boden, Secretary-Treasurer
Jean M. Davidson, Assistant Secretary

Mine Management Visco V. Jutronich, General Manager
Senior Staff:
D. Bent, Chief Engineer
O. Chippett, Administration Superintendent
R. Giegerich, Underground Superintendent
S. Gilroy, Plant Maintenance Superintendent
D. Linzey, Mill Superintendent
W. Scott, Electrical Superintendent
D. Tenney, Chief Geologist
C. Van Steinburg, Shop Maintenance Superintendent

Union United Steelworkers of America

Solicitors Lawrence & Shaw, Vancouver, B.C.

Auditors Coopers & Lybrand, Vancouver, B.C.

Company Offices Head Office: Suite 1695 Two Bentall Centre
555 Burrard Street, Vancouver, B.C. V7X 1G6
Mine Office: P.O. Box 4280, Whitehorse, Y.T. Y1A 3T3

Shares Listed Toronto Stock Exchange

Transfer Agent and Registrar Canada Permanent Trust Company
Vancouver, B.C., Calgary, Alta., Toronto, Ont.

Directors' Report to the Shareholders

Your directors present herewith their report on the operations of the Company and the joint venture which it manages, for the year ended December 31, 1975.

Copper on the London Metal Exchange averaged 57¢ Canadian per pound in 1975, compared with 91¢ in 1974. As a result our concentrate revenue fell sharply and, combined with the effect of increased costs, a loss of $749,000, equal to 22¢ per share, was incurred by the Company for the year. This compared with a profit of $3,043,000, or 90¢ per share, in 1974. A cash flow was generated, however, which enabled the Company to retire the balance of the Series "A" bonds and to repay $562,000 of the Series "B" Income bonds, leaving $2,288,000 outstanding at year-end.

At current and anticipated metal prices, it is not expected that the Series "B" Income bonds will be retired in full by their December 31, 1976 due date. The Company has a good working capital position and substantial assets and therefore should be able to readily refinance any remaining balance. The share options to Hudson Bay Mining and Smelting Co., Limited and Anmercosa Investments Limited, at $3.125 per share, were not exercised and expired on December 31, 1975.

As previously announced, the sales contract with Hudbay, which expired on December 31, 1975, was renegotiated on similar terms and a new contract entered into covering concentrate production to December 31, 1979. Forward sales of a portion of the copper production were continued profitably until mid-year at which time the practice was discontinued as the price declined to an apparent base level. Further sales may be made from time to time when market conditions change.

Our collective agreement with the United Steelworkers of America expired on December 31, 1975 and to the date of this report a new contract has not been concluded. A conciliation officer has been appointed and negotiations are continuing. A separate local for our office and other technical personnel was certified in 1975 but to date no initial contract has been negotiated.

Following the installation and running-in of the underground crusher on the 1700 level, mining and milling rates increased with a high of 2,892 tons of ore milled on December 30. Operating, concentrate transportation and smelting costs increased during the year because of inflationary pressures, in spite of operating efficiencies achieved. Phase one of constructing a new tailings dam was undertaken, using our own equipment and personnel, and was completed in October, 1975. The dam initially has storage capacity for production to the end of 1978, with provision for extension for another 7 years' requirements.

The underground development program permitted only restricted drilling to test for further extension of ore reserves. While we did replace some of the ore mined, overall reserves declined. It is notable that we continue to maintain ore reserves at the level established at the commencement of underground mining on January 1, 1973.

Our 1976 mining plan calls for increased copper production. The benefits, however, may be largely offset by a continuing depressed copper price, which is clearly now at an uneconomic level when taking into consideration a reasonable return on investment. A large world-wide inventory of refined copper and concentrate still overhangs the market and has impeded the return to a realistic price. The current depressed cycle has lasted longer than we and most observers had foreseen but there seems to be agreement that recovery is underway.

We express our appreciation to the mine management and personnel whose hard work enabled us to operate during a difficult year. We are confident that their continuing support will carry us through the remainder of the current low cycle.

On behalf of the Board

J. S. Warick
President

March 10, 1976.

Laying the base for the new tailings dam. Phase one of the construction, rising half-way up the hillside, was completed to a height of 70 feet. Future extensions will bring the dam to a maximum height of 140 feet.

Joint Venture Operating Statistics

	Year Ended December 31	
	1975	1974
Mining		
Ore hoisted — tons (wet)	**757,765**	629,109
Waste hoisted — tons (wet)	**89,970**	78,252
Production drilling — feet	**165,434**	457,343
Development — feet	**8,711**	9,362
Milling		
Ore milled from underground — tons (dry)	**738,062**	626,541
Average head grade — % copper	**1.52**	1.84
Average concentrate grade — % copper	**36.16**	36.89
Copper recovered in concentrate from ore milled — %	**89.36**	90.40
Concentrate produced — tons (dry)	**27,725**	27,848
Metals Produced		
Copper — lbs.	**20,062,161**	20,810,768
Gold — ozs.	**18,630**	17,731
Silver — ozs.	**217,397**	209,512

Joint Venture Operations

The installation of the underground crusher, commissioned in April, 1975, improved the amount of ore hoisted, which totalled 757,765 wet tons, against a plan of 730,500 wet tons. To facilitate the extraction of ore below the 1700 level, another crusher and conveyor system will be installed. The provision of a large storage bin at the crusher station should increase the capacity of the new system.

Although the copper recovery dropped to 89.36% (1975) from 90.4% (1974) because of the lower grade of ore milled, the circuit efficiency remained well above the 85% forecasted in the feasibility study.

Production development and drilling to recover the ore above the 1750 level is complete. Extraction should continue to the latter part of 1976 from this level. Preparation for extraction from the 1450 level is well underway.

The tailings dam extension was completed within schedule, and is functioning as designed. A floating pumphouse will be commissioned in the summer.

New covered concentrate storage and handling facilities were obtained at North Vancouver, B.C. These have resulted in increased economy of operation.

During 1975, the Company employed an average of 200 persons, whose total wages, including fringe benefits, amounted to $4,305,952.

Ore Reserves

Estimates of joint venture geological underground ore reserves (undiluted) at December 31, 1975 and 1974 are as follows:

	1975		1974	
	Tons	**% Copper**	Tons	% Copper
Little Chief	**2,458,149**	**2.40**	2,971,232	2.37
Middle Chief	**596,748**	**2.15**	596,748	2.15
	3,054,897	**2.35**	3,567,980	2.33

The tonnage and copper metal finally recovered will depend upon mining methods employed. It is currently estimated that recoveries from stopes will be 100% of tonnage at 83% of the copper contained in the ore grade, from pillars will be 110% tonnage at 75% of the grade, and employing the sub-level caving system will be 100% tonnage at 70% of the grade.

In addition, the Company has low grade mineralized zones at various surface locations containing 2,637,680 tons proven and probable averaging 0.91% copper (diluted). These have remained unchanged from 1974, and the Company continues to regard them as uneconomic under current conditions.

Exploration

Exploration was restricted to the Company's property in the Whitehorse area, and the optioned Jackson Creek property, fifteen miles north-west of Whitehorse.

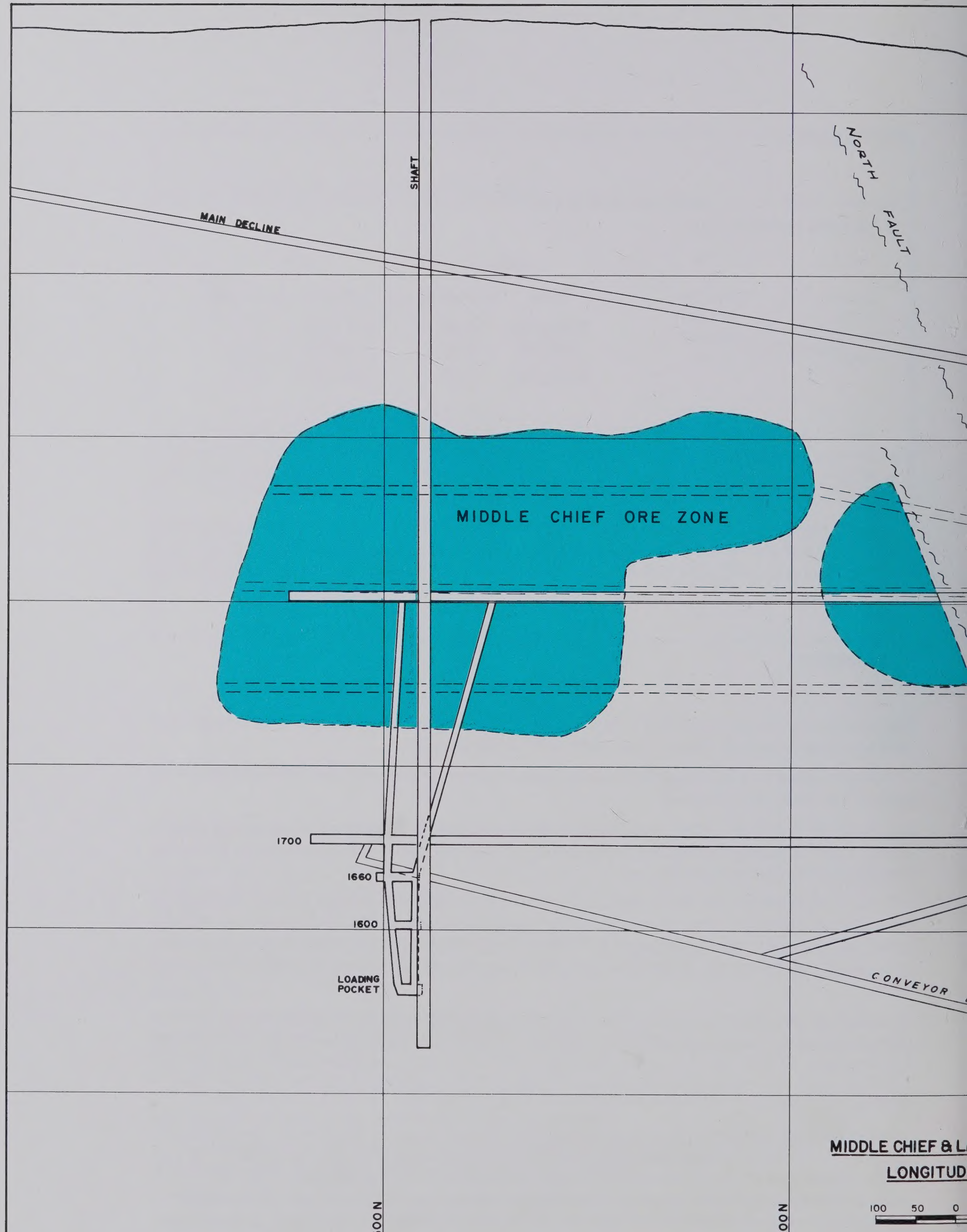
A hole drilled to test a magnetic anomaly in the Cowley Park area showed that the anomaly was caused by Miles Canyon basalt.

Surface hole V-18, drilled to a depth of 871 feet beneath the Valerie showing, intersected weakly mineralized skarns. Further exploration by drilling from underground will be carried out to investigate this area at a greater depth.

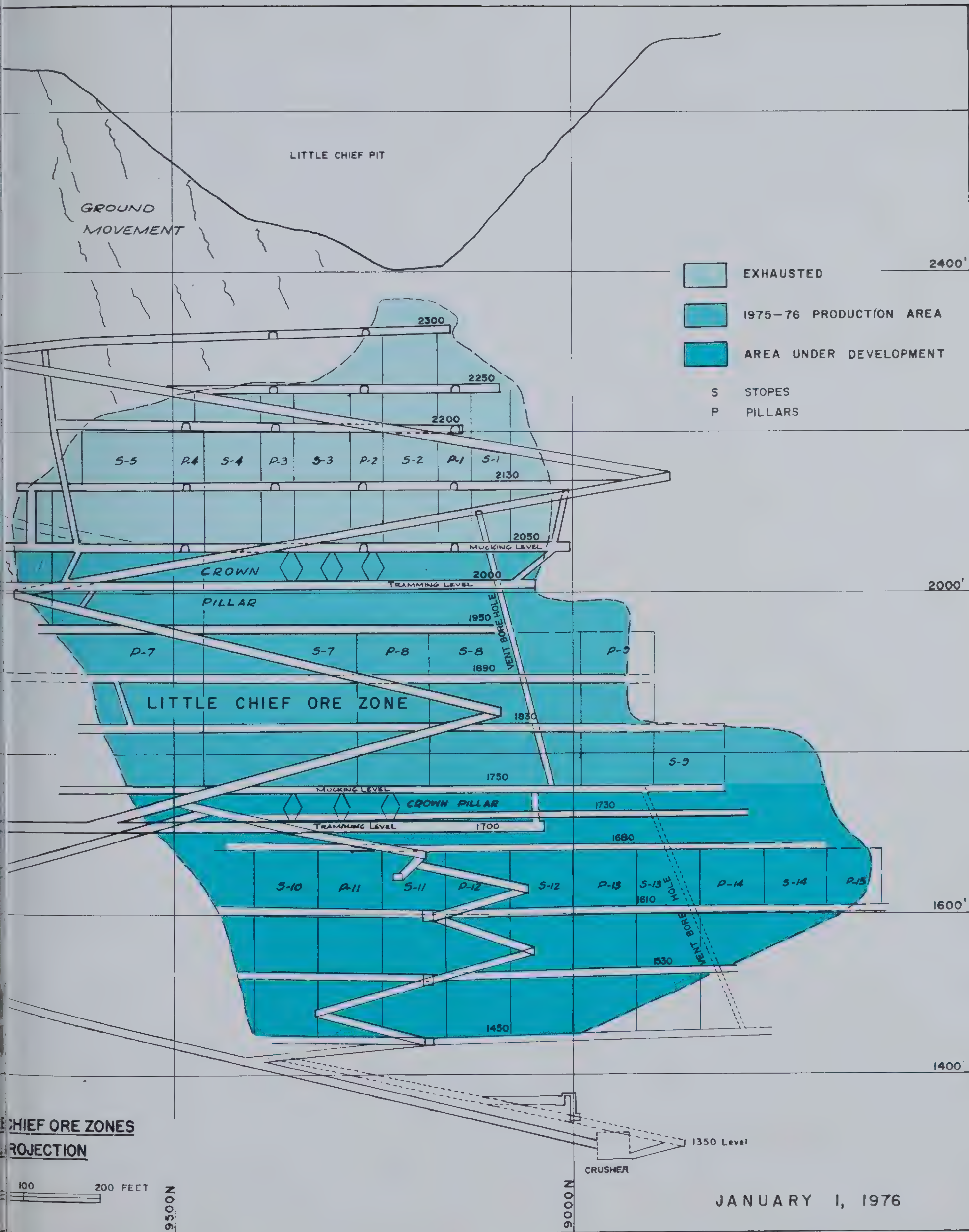
Two holes drilled in the North Star area, one mile south-east of the Little Chief shaft, confirmed the existence of a large previously untested skarn zone along strike of, and structurally similar to, the Little Chief zone. Two sections of the skarn were mineralized with copper and zinc, but assays were generally below ore grade. Additional diamond drilling is planned for this favourable area during 1976.

Work on the optioned Jackson Creek property consisted of a ground magnetic survey, geological mapping and six diamond drill holes, totalling 1,401 feet. One hole intersected 20.1 feet grading 5.60% copper, 0.20% zinc, 7.9 oz./ton silver, and 0.03 oz./ton gold. Subsequent drilling of this zone 100 feet down dip intersected only traces of copper. Further drilling to test the zone on strike is planned for 1976.

Hudson Bay Exploration and Development Company Limited and Anglo American Corporation of Canada Exploration Limited carried out induced polarization and ground magnetometer surveys on the northern part of the Company's property, under the terms of the exploration joint venture. In order to exercise their option to acquire an interest in designated portions of the claims additional expenditures on exploration will be required before April 1, 1977.



MAIN DECLINE
SHAFT
NORTH FAULT
MIDDLE CHIEF ORE ZONE
1700
1660
1600
LOADING
POCKET
CONVEYOR
10500 N
10000 N
MIDDLE CHIEF & L
LONGITUD
100 50 0



LITTLE CHIEF PIT
GROUND MOVEMENT
EXHAUSTED
1975–76 PRODUCTION AREA
AREA UNDER DEVELOPMENT
S STOPES
P PILLARS
2400'
2300
2250
2200
S-5
P-4
S-4
P-3
S-3
P-2
S-2
P-1
S-1
2130
2050
MUCKING LEVEL
CROWN
2000
TRAMMING LEVEL
2000'
PILLAR
1950
VENT BORE HOLE
P-7
S-7
P-8
S-8
P-9
1890
LITTLE CHIEF ORE ZONE
1830
S-9
1750
MUCKING LEVEL
CROWN PILLAR
1730
TRAMMING LEVEL
1700
1680
S-10
P-11
S-11
P-12
S-12
P-13
S-13
P-14
S-14
P-15
1610
1600'
VENT BORE HOLE
1530
1450
1400'
1350 Level
CRUSHER
CHIEF ORE ZONES
ROJECTION
100
200 FEET
9500N
9000N
JANUARY 1, 1976

Statement of Financial Position
as at December 31, 1975

	1975 $	1974 $
CURRENT ASSETS		
Cash and short-term deposits	**41,609**	27,466
Operating profits receivable from joint venture (note 1)	**3,565,552**	4,638,905
	3,607,161	4,666,371
DEDUCT:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**4,700**	5,235
Provision for Yukon royalty	**74,341**	158,517
Accrued interest	**26,766**	49,479
Current portion of long-term debt (note 5)	**2,297,600**	3,932,639
	2,403,407	4,145,870
WORKING CAPITAL	**1,203,754**	520,501
OTHER ASSETS		
Investment in and loan to joint venture (note 2)	**6,287,494**	6,991,288
Mining properties (note 3)	**691,458**	681,158
Plant and equipment (note 4)	**3,078,598**	3,823,607
	11,261,304	12,016,554
DEDUCT:		
LONG-TERM DEBT less current portion (note 5)	**312,490**	318,619
SHAREHOLDERS' EQUITY	**10,948,814**	11,697,935
REPRESENTED BY:		
CAPITAL STOCK (note 6)		
Authorized — 6,000,000 shares without nominal or par value		
Issued and fully paid — 3,384,002 shares	**7,223,967**	7,223,967
RETAINED EARNINGS	**3,724,847**	4,473,968
	10,948,814	11,697,935

SIGNED ON BEHALF OF THE BOARD

J Swarick *Director*

W. A. Morrie *Director*

Auditors' Report to the Shareholders

We have examined the statement of financial position of Whitehorse Copper Mines Ltd. as at December 31, 1975 and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 30, 1976

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

Statement of Earnings and Retained Earnings for the Year Ended December 31, 1975

	1975 $	1974 $
REVENUE		
Share of joint venture operating profit	**1,491,676**	5,656,304
Less: Share of joint venture depreciation and amortization	**848,935**	701,399
Net share of joint venture earnings	**642,741**	4,954,905
Interest and sundry income	**20,542**	35,971
	663,283	4,990,876
EXPENSES		
Administration	**62,678**	55,337
Interest on long-term debt	**190,541**	539,109
Exploration	**75,427**	77,531
Depreciation	**745,008**	775,240
Amortization	**338,750**	323,466
Yukon royalty		177,096
	1,412,404	1,947,779
NET EARNINGS (LOSS) FOR THE YEAR	**(749,121)**	3,043,097
RETAINED EARNINGS — BEGINNING OF YEAR, as restated (note 7)	**4,473,968**	1,430,871
RETAINED EARNINGS — END OF YEAR	**3,724,847**	4,473,968
EARNINGS (LOSS) PER SHARE	**(22¢)**	90¢

Statement of Changes in Financial Position for the Year Ended December 31, 1975

	1975 $	1974 $
FUNDS WERE PROVIDED BY:		
Net earnings (loss) for the year	**(749,121)**	3,043,097
Add: Items which do not affect working capital — Depreciation and amortization	**1,932,693**	1,800,105
From current operations	**1,183,572**	4,843,202
Loan repayment	**124,521**	134,567
Equipment disposal		1,667
Sale of capital stock		2,416
	1,308,093	4,981,852
FUNDS WERE USED FOR:		
Investment in joint venture	**608,411**	209,516
Acquisition of mining properties	**10,300**	6,100
Reduction of long-term debt	**6,129**	4,274,200
	624,840	4,489,816
INCREASE IN WORKING CAPITAL	**683,253**	492,036
WORKING CAPITAL — BEGINNING OF YEAR	**520,501**	28,465
WORKING CAPITAL — END OF YEAR	**1,203,754**	520,501

Notes to Financial Statements for the Year Ended December 31, 1975

1. Accounting Policies

Operating profits receivable from joint venture

Joint venture operating profits receivable by the company are represented by its share of the net current assets of the joint venture and accordingly are classified as a current asset. Their payment, however, is on a cash basis and is largely dependent upon the receipt by the joint venture of concentrate settlements and the amount of working capital to be retained, and will not necessarily be made within a one year period.

Investment in joint venture

The company's investment in the joint venture and its share of joint venture earnings are accounted for on an equity basis.

Amortization of deferred costs related to the joint venture is provided on the unit of production method based on presently estimated recoverable ore reserves.

Depreciation

Plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets.

2. Investment in and Loan to Joint Venture

(a) On August 31, 1971, the company entered into a joint venture operating agreement with Hudson Bay Mining and Smelting Co., Limited (Hudbay) and Anglo American Corporation of Canada Exploration Limited (Amex) for the underground development and exploitation of the Little Chief and Middle Chief orebodies, and certain contiguous mineral properties. The benefits to be derived from the joint venture are to be shared amongst the owners as to one-sixth by each of Amex and Hudbay and as to two-thirds by Whitehorse Copper Mines Ltd., being their respective interests.

The financial statements of the joint venture for the year ended December 31, 1975 appear as **Appendix A** hereto.

(b) The company's investment in and loan to the joint venture is as follows:

	1975	1974
	$	$
Equity in joint venture	**2,843,875**	3,084,398
Deferred expenditures, property acquisition and other costs related to the joint venture — at cost	**4,269,096**	4,269,096
Less: Accumulated amortization and write-downs	**2,825,477**	2,486,727
	1,443,619	1,782,369
Loan to joint venture (Appendix A — note 1(a))	**2,000,000**	2,124,521
	6,287,494	6,991,288

(c) Each of the owners is contingently liable for the debts of the joint venture to the extent that such liability exceeds its respective interest, with the right of recovery of such excess from the others.

3. Mining Properties

(a) Hudson Bay Exploration and Development Company Limited (Hbed) and Amex have been granted the right and option to explore and develop certain mineral claims north of the Little Chief area. In consideration for the expenditure of $333,181 on exploration work to April 30, 1975, they have an option to acquire a sixty percent interest in a portion of the claims by the further exploration expenditures of $166,189 by April 30, 1977. Should the company not elect to participate in the further development of the designated claims, Hbed and Amex may increase their interest to seventy-five percent.

(b) The amount shown for mining properties represents cost to date and does not necessarily reflect present or future value.

4. Plant and Equipment

(a) Plant and equipment is stated at cost less accumulated depreciation and is as follows:

	1975	1974
	$	$
Mining equipment and plant and equipment	**7,789,648**	7,604,784
Staff houses and land	**644,145**	644,145
Equipment held for resale	**346,985**	531,849
Cost	**8,780,778**	8,780,778
Less: Accumulated depreciation	**5,702,180**	4,957,171
	3,078,598	3,823,607

(b) During the term of the joint venture operating agreement, the joint venture has the right to use the company's plant and equipment. After Hudbay and Amex have been paid an aggregate of $6,500,000 as their share of the joint venture operating profits ($3,978,932 has been paid to December 31, 1975), the company is entitled to recover a depreciation charge from the joint venture.

5. Long-term Debt

(a) Long-term debt is as follows:

	1975	1974
	$	$
Series "A" 9% First Mortgage bonds due December 31, 1976		1,073,039
Series "B" 7% Income bonds due December 31, 1976	2,288,000	2,850,000
Mortgage loans	322,090	328,219
	2,610,090	4,251,258
Less: Current portion included with current liabilities	2,297,600	3,932,639
	312,490	318,619

Interest and principal on the bonds is repayable quarterly out of the operating profit, as defined. Operating profit includes operating profit actually received from the joint venture, as described in note 1.

Mortgage loans bearing interest at rates varying from 6¾% to 9½% are due by 1994, repayable at $4,169 per month, including principal, interest and taxes, and are secured by charges on residential land and houses.

(b) The Series "B" bonds are secured by a deed of trust and mortgage constituting first fixed and floating charges on all properties and assets of the company including its interest in the joint venture assets, but excepting residential land and houses.

(c) Hudbay and Anglo American Corporation of Canada Limited, the purchasers of the Series "A" bonds, have the right of first refusal to participate in future financing of the company's mining properties.

6. Capital Stock

(a) The following options to senior salaried employees to purchase shares of the company were outstanding as at December 31, 1975:

1,600 shares at $1.87 per share to October 26, 1977.
100,000 shares at $1.60 per share to August 1, 1980.

(b) The payment of dividends is prohibited until the bonds described in note 5 have been repaid.

(c) The provisions of the Anti-Inflation Act and Regulations which became effective October 14, 1975, restrain the amount of future dividends which the company may pay.

7. Income Taxes and Retained Earnings

(a) The undepreciated capital costs of the fixed assets and the balance of deferred development costs for income tax purposes are approximatly $9,400,000 in excess of their respective net book values, and this excess is available for application against income otherwise taxable in future years.

(b) The company has a prior year's loss for income tax purposes of approximately $1,000,000 which will be carried forward and may be utilized, up to and including 1976, to reduce income otherwise taxable.

(c) As a result of a change in the method of computing certain allowable expenditures, the provision for Yukon royalty for the year ended December 31, 1974 was overstated by $62,491. Accordingly, the balance of retained earnings at December 31, 1974 previously reported as $4,411,477 and net earnings for that year previously reported as $2,980,606 have been restated to include a retroactive increase of $62,491.

8. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the company and the joint venture during 1975 to the directors, senior officers and five highest paid employees (4 of whom are mine personnel) amounted to $210,935 (1974 — $181,542).

APPENDIX A

Statement of Financial Position of the Joint Venture as at December 31, 1975

	1975 $	1974 $
CURRENT ASSETS		
Cash and short-term deposits	2,170,291	1,455,205
Accounts receivable	19,916	28,684
Concentrate settlements receivable (note 2)	4,232,037	6,355,846
Mine materials and supplies, at the lower of cost and net realizable value	1,097,246	948,835
Prepaid expenses	76,375	2,284
	7,595,865	8,790,854
DEDUCT:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,372,638	869,301
Operating profits payable to joint venture owners	5,384,546	6,958,357
	6,757,184	7,827,658
WORKING CAPITAL	838,681	963,196
DEFERRED EXPENDITURES AND FIXED ASSETS (note 3)	5,427,135	5,787,919
	6,265,816	6,751,115
DEDUCT:		
LOAN FROM WHITEHORSE COPPER MINES LTD. (note 1)	2,000,000	2,124,521
OWNERS' EQUITY	4,265,816	4,626,594

Statement of Joint Venture Owners' Equity for the Year Ended December 31, 1975

	1975 $	1974 $
OWNERS' EQUITY — BEGINNING OF YEAR	4,626,594	5,364,418
Net earnings for the year	964,112	7,432,357
	5,590,706	12,796,775
Deduct: Operating profits, as defined, payable to owners	1,324,890	8,170,181
OWNERS' EQUITY — END OF YEAR	4,265,816	4,626,594

Statement of Earnings of the Joint Venture for the Year Ended December 31, 1975

	1975 $	1974 $
REVENUE FROM CONCENTRATE PRODUCED (note 2)	14,936,187	19,455,250
Less: Treatment and marketing costs	4,392,570	3,511,207
	10,543,617	15,944,043
INTEREST INCOME	98,891	113,352
	10,642,508	16,057,395
EXPENSES		
Concentrate production costs	7,505,728	6,711,643
Administration	899,266	833,439
Exploration		27,858
	8,404,994	7,572,940
OPERATING PROFIT	2,237,514	8,484,455
Depreciation	510,175	323,409
Amortization	763,227	728,689
	1,273,402	1,052,098
NET EARNINGS FOR THE YEAR	964,112	7,432,357

Statement of Changes in Financial Position of the Joint Venture for the Year Ended December 31, 1975

	1975 $	1974 $
FUNDS WERE PROVIDED BY:		
Operating profit	**2,237,514**	8,484,455
FUNDS WERE USED FOR:		
Deferred expenditures and fixed assets	**912,618**	314,274
Repayment of loan from Whitehorse Copper Mines Ltd.	**124,521**	134,567
Operating profits paid or payable to joint venture owners	**1,324,890**	8,170,181
	2,362,029	8,619,022
DECREASE IN WORKING CAPITAL	**124,515**	134,567
WORKING CAPITAL — BEGINNING OF YEAR	**963,196**	1,097,763
WORKING CAPITAL — END OF YEAR	**838,681**	963,196

Notes to Financial Statements of the Joint Venture for the Year Ended December 31, 1975

1. Joint Venture

(a) Under the terms of the joint venture operating agreement, Whitehorse Copper Mines Ltd. was obligated to advance $2,000,000 in working capital assets or cash. The loan is repayable to Whitehorse Copper Mines Ltd. upon completion of the joint venture program or earlier to the extent that working capital requirements are reduced.

(b) Joint venture operating profits, or losses, as defined, are to be calculated quarterly and profits are to be paid to the owners pro rata to their respective interests in the joint venture.

2. Concentrate Settlements Receivable and Revenue from Concentrate Produced

Concentrate settlements receivable are valued at the estimated selling price based on metal prices prevailing at December 31, 1975, less estimated cost of treatment and marketing.

3. Deferred Expenditures and Fixed Assets

	1975 $	1974 $
Deferred Expenditures		
Mine and shaft development — at cost	**5,787,756**	5,787,756
Less: Accumulated amortization	**2,535,598**	1,772,371
	3,252,158	4,015,385
Fixed Assets		
Mining equipment — at cost	**1,126,738**	810,228
Plant and equipment — at cost	**2,581,986**	1,985,878
	3,708,724	2,796,106
Less: Accumulated depreciation	**1,533,747**	1,023,572
	2,174,977	1,772,534
	5,427,135	5,787,919

Depreciation of fixed assets and amortization of deferred expenditures are provided on the unit of production method based on presently estimated recoverable ore reserves.

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